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# Getting Kosovo Back to Work - Assessing Youth Employability in Kosovo

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**Getting Kosovo Back to Work -  
Assessing Youth Employability in Kosovo**

**Prepared by  
Iliriana Halili**

# **Honors Society Project**

**Presented to the Academic Affairs Office**

**In Partial Fulfillment of the Requirements for Membership in the  
Honors Society of the RIT in Kosovo**

## **Acknowledgments**

I wish to thank all the people who have helped me complete my Honors Society Project.

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## **Abstract**

The aim of this research project is to analyze the supply side of Kosovo's labor market with a focus on the employability of youth in Kosovo. In this Honors Project, I place special focus on analyzing the extent that the youth of Kosovo is prepared to enter and stay in the labor market. By placing particular focus on that area, I will be able to thoroughly examine Kosovo's education system which represents the basis for the development of human capital; in particular, I analyze whether it is fostering or hampering the employability of youth in Kosovo. The data collected were mainly based on semi-structured interviews conducted with many experts in related fields, and also focus group discussions with students and other young people that were unemployed on a long-term basis. The findings of the semi-structured interviews suggest that the Ministry of Labor and Social Welfare and the Ministry of Education, Science and Technology need closer cooperation in order to reform the education system according to labor market needs which would then increase the employability and competitiveness of the youth of Kosovo. Further investments should be made so that more training, internship, and volunteer opportunities are offered in the market of which the youth can benefit immensely.

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## **Abbreviations**

GIZ – Deutsche Gesellschaft für Internationale Zusammenarbeit

ILO – International Labor Organization

IMF – International Monetary Fund

KAS – Kosovo Statistics Agency

LFS – Labor Force Survey

MEST – Ministry of Education, Science and Technology

MLSW – Ministry of Labor and Social Welfare

NEET – Not in employment, education, or training

PES – Public Employment Services

UNDP – United Nations Development Programme

## 1. Problem Statement

There are various problems in Kosovo's labor market which render it difficult for Kosovo's economy to develop. There is a mismatch between Kosovo's demand for labor and supply of labor. Kosovo's demand for labor is relatively weak which is due to its post-war situation as well as its low economic growth. When there is demand for a specific type of labor, either the labor force is inexistent or the labor supply has not been properly trained for the specific job. Due to the previous lack of training, the employer must take on the responsibility of training prospective employees so that they can be employed. Yet, cases can also exist where an oversupply of labor is present for a specific sector, but there is little to no demand for it. The result is low wage rates or unemployment. Yet another problem is the lack of information and data gathering for job matching in Kosovo's labor market. When there is demand and supply matching, jobseekers may not find the job offerings because of imperfect information in the labor market.

A market that is not in equilibrium tends to self-regulate until it reaches equilibrium. However, it has been proven that the market for labor takes a longer time to adjust to discrepancies when compared to the market for goods. Therefore, if these problems are not being dealt with now, Kosovo's labor market and overall economic activity will be affected on a long-term basis. Tackling unemployment needs job creation, but also employees' skills development.

The aim of this research project is to analyze the supply side of Kosovo's labor market with a focus on the employability of youth in Kosovo accompanied by an analysis of the current labor market conditions. I focus my analysis on how well the youth of Kosovo is prepared to enter, and stay, in the labor market and on the level that Kosovo's education system is fostering or hampering the employability of youth in Kosovo. It is of utmost importance for Kosovo that its young generation becomes employable since it has the youngest population in Europe; 53 % of the population is under the age of 25 (EU Assistance to Kosovo 3). Hence, if Kosovo's economy proves unable to handle this huge labor inflow in the next few decades, it will succumb to further economic difficulties in the future.



## **2. Background information**

### **2.1 Kosovo's Economy**

Kosovo is a country in transition meaning that its economy is gradually shifting from a centrally planned economy under Yugoslavia to a free market economy. Its low economic growth is still a consequence of the war in 1999, however, it has made relative progress since its independence in 2008. With a population size of 1.8 million, Kosovo's GDP per capita is 3000 dollars and it is one of the four countries in Europe that experienced a positive growth in every year since 2008, with an average growth of 3.5 % from the years 2001-2014 (World Bank 2). Kosovo mainly focuses on fiscal measures in order to spur the economy since it is restricted in its monetary measures due to the membership in the Eurozone. This being said, in order to ensure fiscal stability in Kosovo, it adopted a fiscal rule, agreed with the IMF, which limits its annual deficit to 2 % of GDP. One of the economy's strengths is considered to be the finance and banking sector which has proven to be resilient to the financial crisis in 2008. Commercial banks are liquid and profitable and a contributor to the GDP growth.

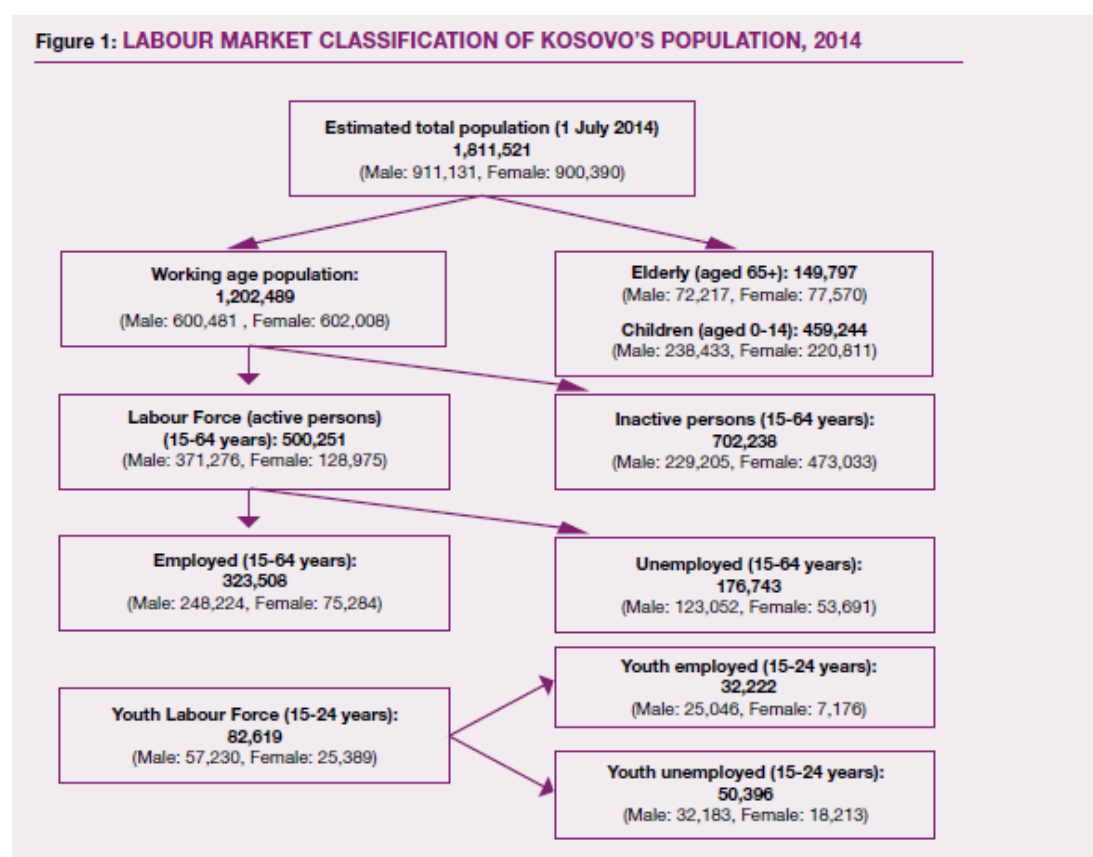
Despite the economic improvements, there are still challenges that Kosovo faces and needs to overcome in order to ensure a steady growth in the future. Kosovo is said to be one of the poorest countries in Europe with almost 30 % being poor of which 10 % live below the poverty line (World Bank 7). Widespread unemployment and lack of quality education worsen the living conditions, especially those living in rural areas. Kosovo has one of the highest unemployment records over time with a labor force participation rate that is much below the average in Europe. Activities that support the private sector need to be implemented since the private sector is the driving force for growth. This, on the other hand, can make domestic goods more competitive on the international market and hence, reduce the trade deficit and unemployment.

### **2.2 Kosovo's Current Labor Market Situation**

The economic standing of a country is heavily influenced by the activities that occur in the labor market. Based on the Results of the Kosovo 2014 Labor Force Survey 2014, out of Kosovo's total population of 1.8 million, 1.2 million are part of the working age population (around 67 %) which is between the age of 15 and the retirement age of 65. Out of these 1.2 million people, only 500,000 people are estimated to be a part of the active labor force (see graph 1). Hence, 700,000 people are part of the inactive labor force which includes unemployed people not searching for a job, students, homemakers, and those who are disabled or sick. This huge number can partly be explained by Kosovo's young population since many are still in the process of pursuing their education. The inactive labor force is not part of the labor supply but is as important. It is vital because it might have an immense effect on the future labor supply since the amount of time spent out of the labor force might negatively influence their employability. According to the Progress Report 2014, around 34,000 young people enter the working age population; out of this 34,000, about 20,000 become the labor force, and only 10,000 leave the working age population. This increases the number of people that are a part of the inactive labor force. The active labor force includes people employed (323,508) and unemployed but actively looking for a job (176,743); hence, 65 % are employed and 35 % are estimated to be unemployed. Therefore, Kosovo's unemployment rate is 35 % which is the highest in Europe and in the region.

The labor force participation rate, which shows the amount of people employed or actively looking for a job, has slightly increased over time in Kosovo. Whereas the labor force participation rate was 36.9 % in 2012, it has increased to 41.6 % in 2014. However, it still remains below the average of all transitional economies. One would assume that a negative relationship exists between labor force participation and unemployment, which occurs when the labor force participation rate increases and unemployment decreases. Yet, Kosovo exhibited a positive relationship. This can be explained by the increase in the number of unemployed people who are actively looking for a job and, hence, register as unemployed. Notably, the labor force participation rate of women compared to men is much lower, 21.4% for women and 61.8 % for men. Hence, the inactivity rate for females is estimated to be around 78 % which represents an immense amount. This is due to the fact that many females in Kosovo decide to look after family members, such as children, and, as a result, stay at home.

**Figure 1: LABOUR MARKET CLASSIFICATION OF KOSOVO'S POPULATION, 2014**



Key labour market indicators (%)	Male	Female	Total
Labour force participation rate	61.8	21.4	41.6
Inactivity rate	38.2	78.6	58.4
Employment-to-population ratio(employment rate)	41.3	12.5	26.9
Unemployment rate	33.1	41.6	35.3
Youth unemploymentrate (15-24years)	56.2	71.7	61.0
NEET share of youth population (15-24 years)	26.6	34.0	30.2
Share of vulnerable in total employment	26.7	18.9	24.9

*Graph 1: Labor market classification of Kosovo's population in 2014 (LFS 2014)*

## 2.3 Youth Unemployment

Unemployment affects youth the most in a country with an extensive youth population. Kosovo has the youngest population in Europe, meaning that more than half of the population (53 %) is under the age of 25 (EU Assistance to Kosovo 3). Usually, a strong young population is beneficial to a country's economy since these young people should, theoretically, evolve to become future workers, and hence, contribute to economic growth. However, weak economies and inefficient labor markets, such as those in Kosovo, do not provide opportunities for its youth to realize its potential which leads to high unemployment rates.

The total youth labor force (15-24 years) of Kosovo amounts to 82,619 people, of which only 32,222 are employed and 50,396 are unemployed. Total youth unemployment is therefore 61 %. In addition, in 2014, young persons in Kosovo were twice as likely to be unemployed when compared to adults.

Also, the NEET ratio, which represents the percentage of inactive young people not in employment, education, or training, is 30 %; and this is a considerably high figure. This group of people increases concern since they are highly disconnected from the labor market. They are not employed, nor are they enhancing their employability. This could have immense negative impacts on Kosovo's labor market and economy in the near future since they increase long-term unemployment and place a general downward pressure on wage rates, as well as social problems and uprisings.

As seen in table 1.2, the 35 % unemployment rate is broken down by educational level and gender. The highest unemployment rate is for people with no education, which amounted to almost 65 %. The lowest unemployment rate is for those with tertiary education. Although a positive relationship can generally be drawn for the level of education and the level of employment, this is not the case for Kosovo. Still, 41 % of the unemployed have completed secondary gymnasium which is almost the same as those completing I-IX classes. Moreover, comparing secondary vocational and secondary gymnasium, people who completed vocational school rather than secondary gymnasium are more likely to find a job.

Kosovo 2014	Male	Female	All
<b>UNEMPLOYMENT ('000s)</b>			
No school	1.2	0.8	2.0
I-IX classes	36.4	12.7	49.1
Secondary vocational	53.0	17.4	70.4
Secondary gymnasium	23.0	12.5	35.6
Tertiary	9.4	10.3	19.7
<b>Total</b>	<b>123.1</b>	<b>53.7</b>	<b>176.7</b>
<b>UNEMPLOYMENT RATE (%)</b>			
No school	70.0	57.6	64.6
I-IX classes	44.9	49.2	46.0
Secondary vocational	33.4	42.4	35.3
Secondary gymnasium	34.8	61.9	41.2
Tertiary	14.7	25.4	18.9
<b>Total</b>	<b>33.1</b>	<b>41.6</b>	<b>35.3</b>

Table 1: Number of unemployed and unemployment rate by education level and gender (LFS 2014)

There are plenty of reasons why high youth unemployment is unfavorable for a country. First, higher unemployment rates among youth are associated with lower levels of income, and this makes them vulnerable for long-term poverty. Second, since youth is a crucial time in one's

life, unemployment may result in discontent, crimes, social unrest and upheavals (Skenderi and Uka 4). Third, once unemployed, young people tend to stay unemployed since their employability diminishes in relative terms. The Government needs to establish policies that facilitate the transition from education to work. If there is a lack of experience, it could result in less employable youth. Lastly, failing to improve the youth's employability will have a negative impact on the economy as a whole. It has been estimated that around 40,000 to 50,000 young people will enter the labor market each year. Therefore, the number of labor inflows into the Kosovo labor market each year is significantly higher than the labor outflows, resulting in a big net labor inflow. Hence, it becomes difficult for Kosovo to absorb this number of people entering the labor market. It has been estimated that Kosovo's economy needs to have a higher real economic growth than its current growth of 3 % in order to absorb this new incoming number in the labor force without further increases in unemployment ("European Economy" 98).

Furthermore, if young people cannot find a job within a short period of time, long-term unemployment will follow due to the discouraged worker effect. This will have a negative impact on Kosovo's economy as a whole.

## **2.4 Labor Supply**

In order to improve the current economic situation, Kosovo must improve the human capital of its youth, which would result in a higher quality of labor supply. There is a strong positive relationship between the quality of the labor supply and economic growth of a country, and it can usually be measured by the level of investment in the education of its people. Countries that have higher literacy rates, have higher living standards; these countries tend to be developed economies.

To achieve a higher quality of labor supply, it is important to understand the meaning of labor supply. At any point in time, each individual needs to make a decision about his or her working conditions, i.e whether or not to work, and once employed they must decide how many hours they want to work. After we add up those individual choices, we receive the total labor supply of the economy. These individual choices are of utmost importance since they determine the productivity of an economy.

According to Hyclak et al., the total amount of labor supply depends on the following four elements:

- i. The size of the population
- ii. The proportion of the population that chooses to be in the work force
- iii. The number of hours of work that those in the labor force work
- iv. The quality of work and effort put in by those choosing to work (Ch. 4, 68)

For this research purpose, I am going to mainly put an emphasis on the fourth aspect, which is the quality of work and effort put in by those choosing to work. By doing so, I will be able to focus on employability of the working force.

## **2.5 Employability and Skills Development**

The International Labor Organization (ILO) defines employability as follows:

“The skills, knowledge and competencies that enhance a worker’s ability to secure and retain a job, progress at work and cope with change, secure another job if he/she so wishes or has been laid off and enter more easily into the labor market at different periods of the life cycle. Individuals are most employable when they have broad-based education and training, basic and portable high-level skills, including teamwork, problem solving, information and communications technology (ICT) and communication and language skills. This combination of skills enables them to adapt to changes in the world of work”

Therefore, an employable person is someone who possesses the basic knowledge required, the vocational and technical expertise, interpersonal skills, and soft skills needed to perform well on the job. The importance of qualitative education and of availability of trainings are pivotal since they contribute greatly to the employability of youth (“Skills, Knowledge and Employability” 1). It has become evident that earning a degree is not enough to become fully employable. Rather, in addition to the degree, one needs increased practical work experience that they have gained over his/her academic path so that they can increase the chances for employment. ILO and Heskett also emphasize the importance of soft skills, such as communication and problem solving skills, as well as teamwork (“Enhancing Youth Employability: The Importance of Core Work Skills.” 1).

Type	Description
Basic/foundation	The levels of literacy and numeracy necessary to get work that will pay enough to meet daily needs. As their name implies, these skills are also a prerequisite for continuing in education and training, and for acquiring the transferable technical and vocational skills that enhance the prospect of getting better jobs.
Vocational or technical	Specialized skills, knowledge or know-how needed to perform specific duties or tasks.
Professional/personal	Individual attributes relevant to work such as honesty, integrity, reliability, work ethic.
Core work skills	The abilities to learn and adapt; to read, write and compute competently; to listen and communicate effectively; to think creatively; to solve problems independently; to manage oneself at work; to interact with co-workers; to work in teams or groups; to handle basic technology; and to lead effectively as well as follow supervision.

*Graph 2: Skills for the work of world (ILO)*

In Kosovo, two-thirds of unemployed youth are considered to be unskilled (230,000) and 60,000 are semi-skilled or with out-dated skills. These numbers represent huge skill deficits among Kosovo youth. This means that there is a skills mismatch within the labor market in Kosovo.

## 2.6 Tripartite Agreement for Skills Development

The International Labor Organization has established a tripartite agreement in order to illustrate the relationship between a government, businesses, and individuals with regard to improving employability.

Government is responsible for providing basic education, additional trainings, and assistance and training to the unemployed and people with special needs;

Businesses should provide internships, apprenticeships, on-the-job training leading to initial and additional work experience;

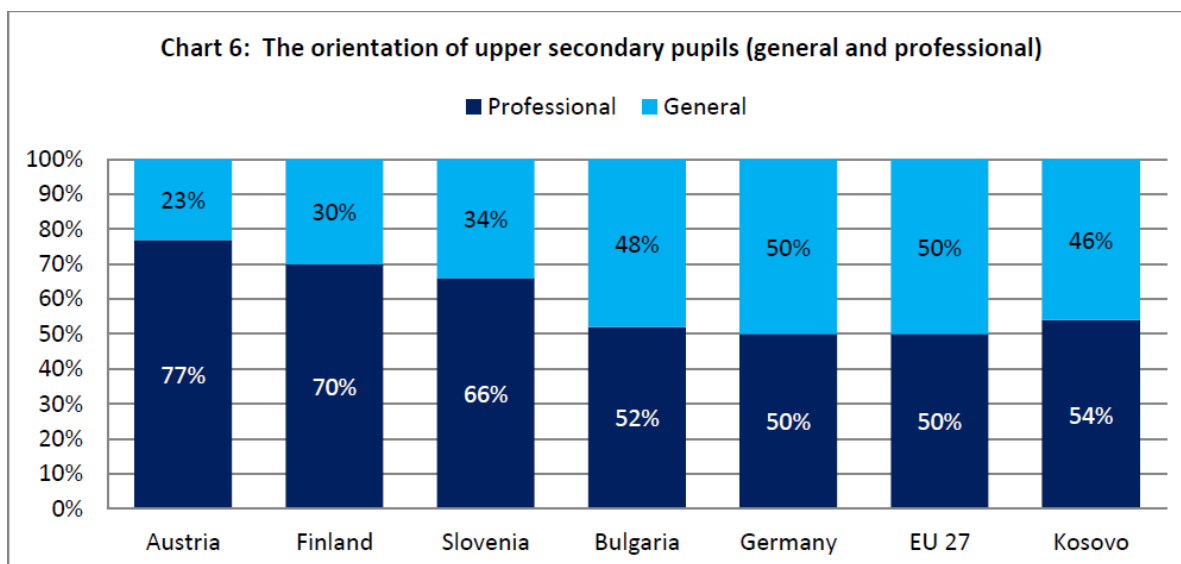
Individuals are responsible for seizing those opportunities given in education and training.

This model will be further analyzed in the context of Kosovo in the results section after empirical research is conducted. An analysis must be made that involves government's contribution towards the youth's skills development, the knowledge acquired by youth during their educational path, the skills they acquire during secondary/ vocational schools and trainings, and the youth's attitude towards jobs in Kosovo, i.e. how well the youth in Kosovo acquire soft skills, such as teamwork, communication, and leadership.

## **2.7 Vocational Education and Training in Kosovo**

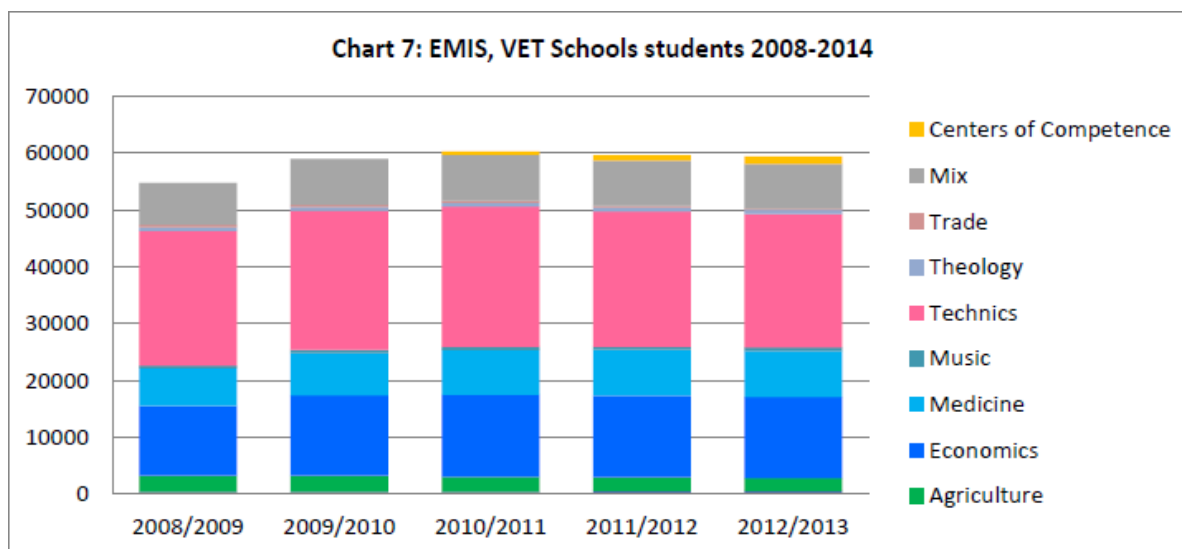
In order to better assess the employability of youth in Kosovo, a short in-depth analysis of the Kosovo education system, with specific focus on the vocational education and training (VET), needs to be made. It is the primary source of preparing Kosovo's youth for entering the labor market. There, the youth should not only gain practical knowledge, but also adopt various soft skills. Hence, skill development is primarily the duty of the Kosovo education system. In collaboration with the Ministry of Labor and Social Welfare (MLSW), the Ministry of Education, Science and Technology (MEST) is responsible for secondary-school vocational education. In this area, they are in charge of further training the youth and retraining long-term unemployed people. As seen in chart 6, student enrollment in Kosovo is split nearly half-half between professional and general education which means that there are enough students represented in both areas. The average student enrollment in vocational schools in Kosovo is approximately similar to the one in Europe (EU Assistance to Kosovo 9).





Graph 3: The Orientation of Upper Secondary Pupils (General and Professional)

Even though vocational education has progressed, MEST identifies the following challenges in the Kosovo Education Strategic Plan 2011-2016: low financial sources for better investments, teaching in double shifts, unqualified teachers, moderate quality of the curriculum, lack of close ties with private sector enterprises, and the lack of linkages to regional employment offices. These challenges lead to a reduced quality of employability of students. In addition to these, there is a widespread concern on behalf of the ministries that some VET schools specialize in sectors for which there is no or little demand for. As exposed in chart 7 below, student enrollment in VET schools has increased up to year 2010/11 but has slightly decreased towards year 2012/13. The highest number of students is enrolled in technical VET schools, followed by the subject areas economics and medicine. Although Kosovo is still a developing country and has huge land resources, only a small portion of students are enrolled in agricultural VET schools. MEST is currently developing and implementing 27 syllabi for vocational qualifications that better match the labor market demand (Progress Report 34). However, due to lack of funding, progress of this plan remains stagnant.



Graph 4: EMIS, VET Schools Students 2008-2014

In its progress report, MEST claims that bonding ties with specific industries in Kosovo remains a top priority so that more students are able to gain professional practice through internships or apprenticeships (p. 31). Due to the lack of close ties with enterprises in the private sector, there is also a lack of internships or apprenticeships provided which could enhance youth employability. The challenge of the transition from school to a job is only exacerbated because students do not have the necessary practical experience which should be taught at a vocational school. Another factor contributing to the absence of necessary practical experience is the lack of infrastructure and facilities. Due to this, trainings or practical exercises for students at VET schools are not sufficiently provided.

## 2.8 The Role of International Actors

The presence of the international community in Kosovo started to become active since the end of the war in 1999. The post-war situation made the international's presence indisputable and much needed. They have not only provided financial assistance, but also technical expertise in conflict resolution and institution-building in order to build democratic institutions in Kosovo. This being said, the international community assisted various ministries of Kosovo in facilitating the reconstruction and development of an economy that should be sustainable in the future. International actors, such as the European Union, World

Bank, IMF, UNDP, Swiss Corporation, and GIZ are only a few examples. These international organizations often support active labor market measures in order to improve the employability of people in Kosovo and reduce unemployment. Former assessments of these projects and programs have proven to be successful. For instance, only the European Union has provided financial assistance of 10.5 million Euros to MEST, MSLW, and other Kosovar institutions which were used to develop and improve characteristics in the education system, especially in vocational education (EU Assistance to Kosovo 10). Whereas the World Bank and IMF provide financial and technical assistance to the ministries, UNDP, Swiss Corporation Office, and GIZ currently have specific programs that enhance employability of Kosovar people, especially that of the youth. UNDP's Active Labor Market Programmes are active labor market measures which facilitate training and employment through self-employment support, wage-subsidies, on-the-job-training, etc. (Kavanagh 4). Impact evaluations have shown an overall positive outcomes and impacts on the Kosovo labor market. Another successful program promoting youth employment is "Enhancing Youth Employment" headed by the Swiss Cooperation Office and "Youth Employment Promotion" by GIZ. Enhancing institutional expertise, skills development of youth, and providing adequate training are priorities. Therefore, foreign assistance has been and is of utmost importance for improving Kosovo's labor market and skills of youth which reduce overall unemployment.

## 3 Methodology

### 3.1 Overview

The aim of this research project is to analyze the current labor market in Kosovo with a particular focus on the assessment of youth employability. For this purpose, primary and secondary data were collected and analyzed. Primary data were collected through two qualitative research tools which included several semi-structured interviews and two focus group discussions. The semi-structured interviews were conducted with experts in related fields who provided deep insight on the labor market in Kosovo, including employment and unemployment with a particular focus on long-term and youth unemployment, inactivity rates with a particular interest in women, and a discussion of methodology used for the general statistics on the labor market. There were two focus group discussions organized to gain a general insight on people's perceptions about their employability and the labor market in Kosovo. The first discussion included the beneficiaries of one of those active labor market measures which ought to improve the people's skills, and hence, their employability. The second focus group discussion was conducted with students who were about to enter the labor market.

### 3.2 Semi-Structured Interviews

As part of this research, several semi-structured interviews were conducted. The UNDP Active Labor Market Programmes hired an independent economist to write a short Human Development Report on the current labor market conditions in Kosovo which will also include policy recommendations for the particular Ministries. As part of my work as an intern at UNDP, I accompanied the independent economist to some of his interviews which were conducted with several employees from chief institutions, such as the Ministry of Education, Science and Technology, Ministry of Labor and Social Welfare, and the Kosovo Agency of Statistics. Even though the content of the interviews focused on overall labor market problems, various points on employability were touched which will be used for further analysis in this research project.

I will depict the findings of a total of eight semi-structured interviews with participants of various backgrounds in labor and development economics. In summation, the interviews were conducted with three independent economists: one expert economist on economic development, one macroeconomist, and one labor market economist. In addition, two representatives of the Ministry of Education, Science and Technology and two representatives of the Kosovo Agency of Statistics were interviewed. Each interview lasted about one to two hours.

Besides the interviews conducted with UNDP, I also conducted another interview with the representatives from the Ministry of Labor and Social Welfare independently from UNDP since this was the only way I was able to obtain a better understanding of youth employability from the Ministry. The interview lasted 20 minutes.

Since there are many international donors in Kosovo providing technical and financial assistance to Kosovar institutions and people, one interview was conducted with a representative from the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), who now launched a project for youth employment promotion. This interview lasted one hour and provided me with handful information regarding international funding and the level of cooperation between the Ministries.

### **3.3 Focus Group Discussions**

Two focus group discussions were held; these will be described below.

The first focus group discussion was conducted with individuals who are beneficiaries of the UNDP On-the-Job Training (OJT) Programme in 2012. Prior to receiving this particular training, these individuals were jobseekers with little educational background and no work experience. As a beneficiary, they were entitled to a three-month training period in a specific company where the probability of hiring the person after the training completion was high. The focus group discussion involved six individuals, three females and three males, who have completed the on-the-job training in previous years. In order to ensure variety, beneficiaries of different ages, sectors, and regions have been invited to participate. The focus group discussion lasted one hour.

The questions and discussion were directed around the following aspects:

1. Perceptions and experiences regarding the difficulties of entering the labor market as an unskilled worker with little educational background prior to receiving the training. It also included their opinions on Kosovo's labor market in general and the efforts of several institutions in improving the current situation;
2. Experiences of the training itself. Here, the participants have the opportunity to share experiences with each other on whether or not the three-month training has helped to improve their skills;
3. Reporting on the success or failure of being hired permanently. Here, the focus was on the participants' own assessment about their individual employability for the labor market in Kosovo after receiving the training;
4. Perceptions and opinions on the success or failure of the overall on-the-job training programme and its overall implications on the labor market in Kosovo as an active labor market measure. Focus was also given to participants' conclusions and recommendations for this particular active labor market measure.

The second focus group discussion was conducted with a student group who were in their final or pre-final year of study. It involved seven students, which included four females and three males between the ages of 21-24. Four students were from the A.U.K/RIT(including one American with prior high-school education in the United States), two students were from the University of Prishtina, and one from AAB. Since the previous focus group discussion involved people with little or no educational background, this focus group discussion had the intention to analyze the employability of youth who completed secondary education. The intention was to assess whether these students have better skills according to their opinions and would have better chances of entering the labor market through internships or directly being hired in Kosovo. The focus group discussion lasted one hour.

The questions and discussion were directed around the following aspects:

1. Prior education experiences and their opinions on how high-school education fosters or hampers employability of youth;
2. Reasons for entering secondary school and explanation of their chosen field of study. Here, the focus was on the opinion of these students about how their field of study can ensure their settlement in the labor market in Kosovo;
3. Perceptions on how they see their perspectives and whether there is a demand for going abroad.

## 4. Results

The interviews conducted with the Kosovar representatives of institutions and other independent experts provided important insights into the economy and labor market of Kosovo. The opinions and perceptions shared through the focus group discussions gave detailed, first-hand records of people's situations of being an unemployed person or student; even though these cannot be generalized, they tend to give accurate information. The sections below will be divided according to subjects.

### 4.1 Level of investments in Kosovo

It is indubitable that investments have various advantages in a country. So, it would be accurate to assume that they would result in advantages in Kosovo, as well. When there is a huge money inflow into a country, there are more investments and higher employment opportunities, and, hence, increased employment of Kosovar people. It has been observed that Kosovo is developing the new trend of being a beneficial country for outsourcing. In the Doing-Business-Report, Kosovo has been ranked 66<sup>th</sup> for doing business, much higher than Albania and Bosnia and Herzegovina (Doing Business Report 2016). The Ministry of Trade and Industry has made an analysis so that sectors with potential for development can be identified. These sectors include food processing and packaging, textile, ICT, wood processing, etc. The representatives of MEST have confirmed that the ICT sector has had promising development for the past two to three years; this is mainly because a great amount of outsourcing has done in this sector. The Kosovo government will shift its attention to the ICT sector. This will lead to increased government spending that will further contribute to ICT sector development which will result in higher employment in that sector.

Yet, there is still a low level of investment in Kosovo. Many interviewees have confirmed this information and provided several reasons. The main reason for this is that the level of corruption in Kosovo is high which decreases the attraction of investors to the country. Many investors have proposed to invest in the country and went on to develop a plan but, due to corruptive Kosovar people and politicians, they withdrew themselves from this opportunity. Thus, the main problem of a lack of investment is not the lack of investors, rather, it is the corruption in Kosovo. This corruption is reducing opportunities that could have been



beneficial for Kosovo's employment situation. Moreover, one economist mentioned that Kosovo's budgeting is donor-induced which means that projects and activities are planned based on whether donations exist. One economist mentioned that labor and job creation has not been a priority so far in Kosovo, which, he speculates, is the reason why little has been invested in this field.

One can draw the conclusion that government spending on creating job opportunities is crucial for skills development. The lack of investments on job creation will result in less employment which means that more people are unable to actually use or enhance their skills. The same lack of investments exists in actual skills development. Government needs to increase spending on formal vocational education, trainings offered to unemployed people, opportunities for internships, etc. Through this, people are able to enhance their skills through practical experience which makes them ready for the labor market.

## 4.2 Remittances

Kosovo has a large Diaspora since every third Kosovar lives abroad. This being said, Kosovo receives huge remittance inflows. Remittances alone have composed 17 % of GDP in 2012 which ranks Kosovo among the 15 country remittance-recipients relative to the domestic size of the economy (Kosovo Human Development Report 2014 33). Remittances in Kosovo play a huge role in economic activities and greatly influence the labor market. According to Drinkwater et. al, they have distorting effects on the labor market (29). First, remittances are usually sent to those who are unemployed or have low incomes. Therefore, remittances increase the income of the unemployed. Moreover, if the amount of remittances is higher than the wage of those working, then employed people will decide to give up their work and, hence, more unemployment will follow. This is the same reason, one economist claimed, why many students also decide not to obtain higher education. Since the money inflow is secured, remittances serve as a disincentive for many young people to continue higher education. Remittances, therefore, increase the reservation wage and represent a distortion in the labor market.

### 4.3 Recent Migration Wave

The migration wave, that has happened in the beginning of 2015 in Kosovo, is worthy of mentioning. It is estimated that around 100,000 people emigrated from Kosovo to Europe which marks almost 5 % of the total population (Distler 1). The experts interviewed have stated that the majority group represented by the prior percentage was young people. This youth mostly consisted of unemployed people or people who were part of NEET that left the country, most of them illegally. There are two main reasons why this occurred. First, there is widespread frustration about the political situation. Even though Kosovo claims to be a democratic country, democratic processes and emancipation is said to be developing. Political decisions are made in a non-transparent way and corruption seems to be entrenched. The migration study conducted by the Friedrich-Ebert-Stiftung in Prishtina shows that 91 % of people responded with ‘very much’ to the question of how much the political situation contributed to their decision to leave the country (Distler 1). In addition, Kosovo’s political situation in Europe only exasperates this situation. The perception of being isolated due to the non-recognition of five EU member states contributes to illegal migration. Many people think that their perspectives within Kosovo are limited, and will remain limited on a long-term basis, so that the only way of getting out of Kosovo is illegal emigration. The most crucial reason, however, for leaving Kosovo is the economic situation. Many young people are hopeless and frustrated by their poor socio-economic situation in Kosovo and see the way to Europe as the solution for a better life. In addition, the focus group discussions have given an insight about young people’s perceptions of their seemingly hopeless situation in the future. This has a direct effect on their situation in the labor market. For instance, many focus group participants have claimed that, even with tertiary education, they only see small chances of obtaining a decent job. The main reason for this is that, in addition to only a small number of jobs offered, they do not have the necessary personal connections needed to enter a job in Kosovo. Corruption and nepotism seem to be huge factors that explain why young people see their careers as hopeless and leave the country. The option to go abroad, so that they may escape this corruption in Kosovo, serves as a disincentive for developing future careers in Kosovo. Thus, these reasons even hold them back from continuing their education or pursue further trainings since they do not

look forward to a career in their home country. They do not see it as necessary to invest their time and effort in a country when their sights are set elsewhere.

#### 4.4 Youth Unemployment

Youth unemployment refers to the unemployment of people between the ages 15 and 24. During the 90s, youth unemployment was not considered a huge problem since many thought that young people would adapt to economic changes and would acquire new skills easily which would increase their employability. However, later, this problem became a long-term problem and was due to the education system coupled with a low level of opportunities offered.

According to the experts interviewed, there are several reasons why youth unemployment is high in Kosovo. First, there is a lack of opportunities offered in the market. However, not even internships or volunteer work is offered which further burdens the situation. Private businesses need to develop the notion that internships cannot only help their businesses grow, but they can also ensure skill development for the intern. Second, many young people do not have the necessary skills to be employed. For instance, now, there is a huge demand for IT skills in the labor market. However, many young people have not acquired those skills and, therefore, cannot obtain the job opportunity. Third, many Kosovar families receive remittances which has a negative effect on the willingness to work. If the family has enough money inflow, the youth will not view work as necessary.

A subtopic under youth unemployment is NEET – young people not in education, employment, or training. These young people are disconnected from the education system and labor market. The current NEET rate in Kosovo is 30.2 % which means that almost one third of Kosovo's youth (15-24 years) is not in education, employment, or training. This complete detachment from the education system and labor market is a rising concern since these young people are not employable. Also, these same people are likely to remain unemployed on a long-term basis since have not acquired the necessary skills. The share of female NEET is 34 %, which is higher than their male counterpart of 26.6 % ("Results of the Kosovo 2014 Labor Force Survey" 28). There is a tendency for girls to stay at home, rather than go to school, in order to become a housewife due to the gender roles perceived in the society. , The experts interviewed gave two main causes of NEET which can be grouped into the macro and micro

level. The macro level deals with institutions, society, economic opportunities, and the education system, whereas the micro level is simply the individual itself.

At the macro level, according to the experts, there are not enough opportunities offered in the market for every individual to get a job. Some youth remain out of the market and do not engage in trainings or education. This is partly because they feel discouraged to even seek for another opportunity. In addition, speaking from a societal point of view, there is a change of values that have occurred over time. The young generation today is not willing to accept every job that is offered to them. Rather, they evaluate whether the job matches their ideas and only accept it when it does. This can be exemplified by the fact that young people living in rural areas do not work on their agricultural land. There is a social change of values. Many young people do not see themselves being a farmer in the future even though a lot of land is disposable to them. What has previously been a moral duty to take over the family business does not seem to be the case anymore.

At the micro level, experts have stated that being NEET has a lot to do with decisions made on the individual level. The decision to stay out of education or employment may be due to personal reasons, such as family relations, losses, difficulties in school, or even financial restrictions. Bacher et al. have found that young students coming from difficult socio-economic backgrounds, where parents have a lower level of education, have a higher chance of becoming NEET (47). In these cases, education seems to have less value and the youth, therefore, becomes discouraged. In addition, there is a positive correlation between the number of school drop outs and NEET. The earlier the student drops out of school, the higher the likelihood that this student will end up NEET. Therefore, measures should be taken to reduce the number of school drop outs. Moreover, marginalized groups or ethnic minorities are more likely to be NEET than the rest of the population (Bacher et al. 46).

## 4.5 Inactivity

The inactivity rate in Kosovo is remarkably high and is the worst indicator of the Labor Force Survey. The inactivity rate includes people who are neither employed nor unemployed. The current inactivity rate is currently 58.4 % which is greater than the labor force participation

rate. Special attention needs to be given to the high inactivity rate of females in Kosovo which amounts to 78.6 %.

The experts interviewed have claimed that the high inactivity rate is due to several reasons. First, Kosovo has a large young population. Inactivity includes students who are pursuing their education, and, hence, excludes those who are working and are searching for work. If 53 % of Kosovo's population is under the age of 25, then this is largely reflected in the inactivity rate since around 250,000 students are solely focused on their education (MEST source). Second, due to high remittance inflows from the Diaspora, many people do not find working necessary since their income is secured. Hence, if people's incomes are guaranteed, there is no need for people to be employed or to search for a job, which further increases the inactivity rate. Moreover, remittances have also a direct impact on the reservation wage. A positive relationship is seen since higher remittances lead to higher reservation wages. It is assumed that Kosovars, who receive remittances, no longer search for a job since the chances of getting a well-paid job, which pays higher than the remittances, are low. Hence, more people remain inactive in the labor market. Third, female inactivity is high because of socio-economic reasons. Since women are seen to be the caregivers instead of breadwinners, they are expected to be homemakers who care for the children and complete household chores. "Around 40 % of women that are unemployed and not looking for work report that they are inactive because they have caregiving responsibilities or personal/family responsibilities" (Kosovo Human Development Report 2014, 37). Therefore, social norms and gender roles, that are perpetuated by both females and males in Kosovo, have made it more challenging for women to obtain an education. This leads to the general lower level of education that is observed in the female population which makes them less employable than their male counterpart. However, even if women decide to work, services that offer childcare or care for elderly people are lacking. The service is either nonexistent or too expensive so that the opportunity cost of joining the labor market is higher for women than men. This hinders the ability of women to work.

Moreover, a high inactivity rate has a negative impact on the future labor market since these inactive people may become discouraged workers after suffering long-term unemployment. This discouragement results in less employability as time goes on. Nevertheless, one expert mentioned that even though the reports and numbers show a high inactivity rate, this might not represent the current situation. Many Kosovars still actively look

for a job through other, more informal, ways, such as asking relatives or friends or searching through the internet.

#### **4.6 Long-Term Unemployment**

Long-term unemployment is a prevalent, global issue that affects Kosovo hugely. Poor economic conditions, as those that exist in Kosovo, and other European countries, are the main reason that have more than likely led to unemployment (Duell 4-7). Kosovo has a 35 % unemployment rate which is the highest in the region. As alarming as this appears on its own, there is another, more immense, problem that is hidden in that unemployment rate; this problem is the duration of unemployment. In Kosovo, the long-term unemployment rate as a percentage of all unemployed has been 74 % in 2014 which is a high number ("Results of the Kosovo 2014 Labor Force Survey" 6). There are certain groups of people that are more likely to be hit by unemployment, which are the youth, elders, and low-skilled groups (Duell 6). However, we will focus on the youth in Kosovo.

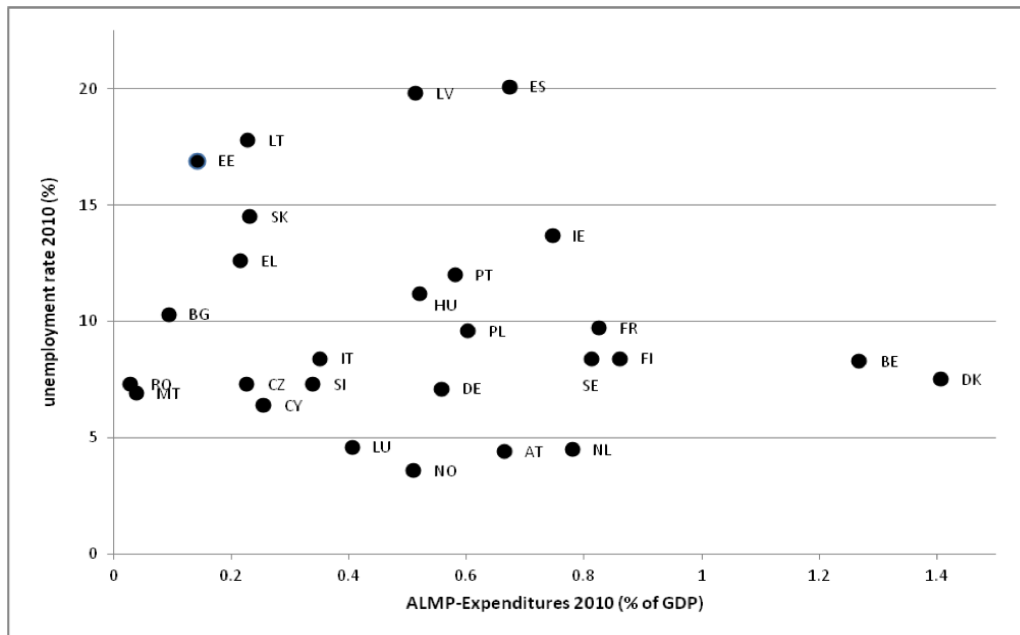
There are a few reasons why long-term unemployment remains such an issue for the individuals and for the labor market in general, especially regarding Kosovo. To begin with, there are human resources that are not being used to reach the maximum efficiency in an economy. This inefficiency is clear since the effect on the labor market becomes a supply of labor that is higher than the demand for labor (MCSER source 456). However, if these human resources are not being used, one must wonder what those unemployed individuals are doing instead. The population in Kosovo is mostly composed of youth. Young individuals that are unemployed for an extended period of time pose a danger to society since they have no distractions, and, as a result, violence is likely to erupt due to frustration (456). The less income leads to poverty and social unrest is likely to follow. In 2013, there were 126,200 Kosovars that were between the age of 16 and 24 that do not work, and there were 59.8 % of Kosovars that remained unemployed over a year (455-56).

Furthermore, long-term unemployment poses a direct danger to the livelihood of the individuals that it affects. The longer that one is unemployed, the less chance they will be hired and the less their wage as well as income will be. One economist interviewed mentioned that a depreciation of skills may occur the longer people are unemployed which reduces their

employability on a long-term basis. Since individuals are what form the whole of the economy, this will result in a macroeconomic effect, which is a reduced income level, on the economy (MC SER source 456). Moreover, as mentioned by another macroeconomist, another problem is that Kosovo's labor market is static, not dynamic, which means that there are only few changes or no movement in the labor market. This burdens the situation of the long-term unemployed since they are not able to acquire new jobs since none are offered for a longer period of time. Hence, there is an additional risk that these long-term unemployed become discouraged to even seek a job, and hence, enter the inactive labor force.

Although long-term unemployment is complex and hard to tackle, developing as well as executing Active Labor Market Programs (ALMPs) may offer a solution. ALMPs are programs with the goal of encouraging further employment, lowering current unemployment, increasing training of workers which results in higher employability, and increasing the rate of job searches for the unemployed. Also, there are two approaches to ALMPs, which are the "work-first" approach and the "train-first" approach (Duell 7). However, the latter is the most used strategy, as of 2010, of the European Union (9). As seen in Figure 2, there is a correlation between spending on ALMPs and the unemployment rate since there is a higher unemployment rate seen in countries that spend less on ALMPs (Duell 7).

**Figure 2: Unemployment rate and expenditures on ALMP (cat. 2-7) as a share of GDP, 2010, in %**



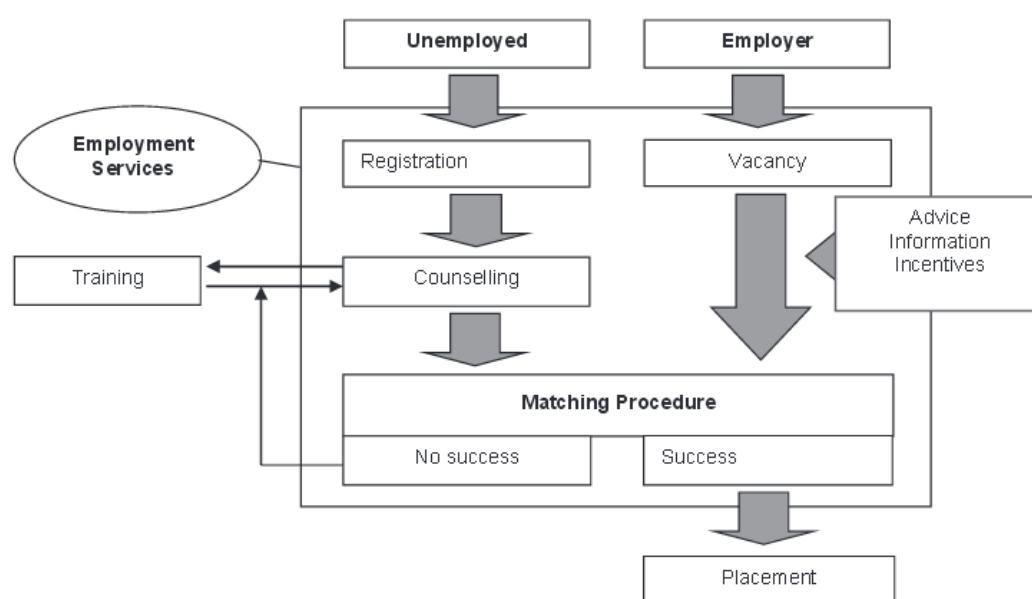
Source: Eurostat, LMP data base and LFS.

## 4.7 Ministry of Labor and Social Welfare

The Ministry of Labor and Social Welfare have aims, but they are not properly executed. Some of these aims include creating, drafting, and applying policies regarding social welfare, monitoring working conditions with international standards in mind, providing funds for impoverished persons, “develop[ing] and oversee[ing] programs for professional training for unemployment persons and job seekers”, and facilitating discussion between social partners, such as workers organizations, unions, employers organizations, and Government (“The Competencies of MLSW in Panel of Government of Republic of Kosova” 1). We will focus our attention to the creation of training programs that have the goal of increasing employability (“The Competencies of MLSW in Panel of Government of Republic of Kosova” 1). Public Employment Services (PES), exemplified through the regional employment offices, are crucial for unemployment registration, training, and job placement of those unemployed. The following graph exhibits how each regional employment office works. After an unemployed person registered as unemployed, s/he will get counseling hours



which should direct the person's abilities and skills towards the labor market. Hence, if the necessary skills are existing, a matching procedure with available vacancies follows which could result in a job placement. However, if the necessary skills are lacking, the employment officer will place this person into a training which enhances the skills and hence, the probability of getting employed ("Labor and Employment" 22).



*Graph 5: Public Employment Services*

In 2012, MLSW stated that they were able to relieve some unemployment through their offering of “organized free training in 35 occupations” for the public sector by use of the seven regional vocational training centers. They continue by stating that it has aided 2, 605 jobseekers by giving them certification which enhances their employability (“The Growth of Employmentthe and the Strengthening of Vocational Training” 4).

Even though there are training programs that exist, their effectiveness is lacking. The experts interviewed have stated that many unemployed people do not even go and register as unemployed due to the fact that citizens gain no benefit. First, Kosovo’s government does not offer unemployment benefits, so many unemployed Kosovars see no reason to register as unemployed. Second, many have lost their trust on public institutions. Even those that have

been to counseling hours claim that it did not really help them. The low effectiveness of the counseling hours, trainings, or matching services may mainly be due to low job opportunities offered in the market or due to low investments in public employment services. The mere fact that the staff of the Vocational Training Division is made up of five people and the staff of the employment Office' Coordination and Monitoring Division is made up of 12 people most likely affects the lack of results seen in these training programs ("Vocational Training Division" 1). This small number of people is most likely not able to withstand the work pressure needed to establish or implement programs that have an immense impact in Kosovo's labor market.

#### **4.8 Tripartite Agreement for Skills Development**

As mentioned in section 2.5, the tripartite agreement serves as a reference on how government, private sector, and the individual are able to improve the individual's employability. Applying this model to Kosovo, one can claim that it does not function very well. Even though the government fulfills the criterion of providing the basic education, additional trainings, and assistance to the unemployed people, it does so only poorly. There is a lot of space to improve the infrastructure, curricula, teaching quality, and strengthening the relationship between institutions when it comes to providing basic education. Hence, instead of meeting the criteria of providing basic education, government should try to provide qualitative education to all students. In addition, trainings and assistance are provided to unemployed people, but only on a small scale. The public employment services offered regionally need to be better structured in terms of providing trainings to all groups of people. More staff is needed to implement policies from the government.

With regards to the private sector, businesses are not able to offer initial and additional work experience to individuals on a large scale due to a low level of economic activities. Due to the fact that many businesses themselves operate on a small scale, they cannot afford to provide additional training even if they would need additional staff. However, there should be a change in perception of Kosovar businesses that offering unpaid internships would help not only the individual, but also the businesses themselves. Only through these offerings will people improve their employability and skills due to the first-hand experiences gained on the

job itself. This can also be beneficial for the businesses since they could see this internship period as a probation time, provide the training, and employ the person if needed.

Regarding the individual itself, the individual is responsible for seizing the opportunities offered in the market. Despite those being low in Kosovo, the individual needs to be aware of his or her own education and training. I have stated above that remittances have a distorting effect on the individual's choice of getting employed, and the higher the remittances, the lower the willingness to work, influencing negatively one's employability. In addition, the change of social value that not everyone is willing to accept every job only aggravates the situation of low-skilled workers. It is of utmost importance that Kosovars seize every opportunity, even if it is a low paid or unpaid internship through which they are able to gain the necessary work experience.

However, there is one good example of a well-functioning tripartite agreement in Kosovo. The Industry Advisory Board has been established in November 2008 between the Faculty of Electrical and Computer Engineering and several huge companies represented in different industries in order to enhance education and employability of those graduated. In February 2009, those companies advised the faculty on what the needs are and first revisions of the curricular have been made (Kajtazi 2). In addition, the agreement also included various internships and related work so that young students could gain practical experience through their studies. Around 200 students complete such an internship each year (Kajtazi 2). This is a major accomplishment in Kosovo which should be followed by other sectors and universities, as well. This way, students are able to understand and apply the theoretical knowledge gained throughout their studies. Their employability in the future labor market is enhanced through their first-hand experience and their chances of entering and staying in the labor market are increased.

## 5. Conclusion

While having the youngest population in Europe is considered to be an important resource for reaching economic efficiency in every country, Kosovo is still facing high youth unemployment which makes it difficult to efficiently use the youth. This is due to two reasons; first, Kosovo's labor market does not provide much needed job opportunities, hence, many of them remain unemployed on a long-term basis. Second, Kosovo's youth is not well prepared, due to the education system, to enter the labor market due to inappropriate or nonexistent skills which makes them less employable on a long-term basis. MEST and MLSW must cooperate better in order to identify the sectors that have potential in the future as well as prepare the youth through appropriate vocational education and training. Therefore, analyses of labor market needs, plan development, and implementation should be priority since the inability to solve this problem now will result in even worse future consequences for the labor market. Kosovo's government should undertake measures to reduce unemployment so that it does not become an idle resource.

## 6. Recommendations

### **Recommendation: Kosovo Vocational Education and Training**

Establishing a market where supply of labor matches demand of labor cannot be achieved by ministries alone, but rather through their close collaboration. While MEST prepares young students to enter the labor market, it needs support from other ministries and local and international institutions in order to meet the labor market needs. The following recommendations are presented for the Ministry of Education, Science and Technology.

- Closer cooperation with other ministries; MEST needs to bind closer relationship ties with other ministries, such as with the Ministry of European Integration, MLSW, and Ministry of Trade and Industry. They should request more funds to be allocated from the Kosovo budget to projects meeting the goal of establishing a well-functioning labor market. These funds should be used to invest in infrastructure, such as buildings and facilities for VET schools, higher quality teachers, and trainings.
- Discovering the market labor demand; in collaboration with the other ministries, an in-depth analysis regarding the labor market demand should be done more frequently. MLSW, Ministry of European Integration, and Ministry of Trade and Industry need to provide the necessary information to MEST. These analyses or predictions can be done through surveys. Once the labor market needs are identified, MEST needs to adapt to these demands and implement changes where needed.
- Improving quality of teaching; students gain the knowledge that is being given to them through their teachers. A priority should be to reduce double-shifts and to train the old and new teachers first. This can be done through short-term trainings which enhance their qualifications. However, special attention should also be given to pedagogical skills.
- Coordinating schools with industries and promoting practical experience; the first step should be to develop ties with industries who then would be willing to offer internships or apprenticeship positions within their companies. This would not only be beneficial for them, but also for the students who would be able to gain practical

experiences. This should also be promoted throughout the country. A general sense that internships are valuable should be created.

### **Recommendation: Youth Unemployment and NEET**

Government and institutions need to adopt measures that reduce youth unemployment and NEET. Institutions and private businesses need to provide trainings, internships, and possibilities for volunteer work for specific fields so that the youth becomes employable. Specific attention should be given to families whose socio-economic background is currently poor and to ethnic minorities since those groups are more likely prone to be unemployed. Even short-term active labor market measures are helpful as a first step. Government could achieve this in cooperation with businesses and also international organizations. In addition, raising awareness for long-term youth unemployment is beneficial so that the youth realizes the problem and can begin to engage in education or training. Therefore, this can then help them enhance their skills which prevent them from getting discouraged when searching for a training or job. Spreading the value of internships and volunteer work not only helps young professionals immensely, but also helps the business grow.

### **Recommendation: Long-Term Unemployment**

In order to tackle long-term unemployment, short-term measures should be used. Even short-term measures would have a huge effect on reducing long-term unemployment. One recommendation is to further develop active labor market programs in order to tackle this problem directly. As seen by many international organizations, such as UNDP or Swiss Cooperation, active labor market programs result in improved employability of those long-term unemployed. Thus, these measures should also be able to help Kosovo, especially since they can be tailored to fit Kosovo specifically. Examples of measures include trainings and measures that focus on creating new jobs that allow for better matching of labor supply and demand

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## Appendix A – Informed Consent

### Informed Consent Form for Social Science Research AUK/RIT

#### Honors Society Project

**Title of Project:** *Assessing Employability of Youth in Kosovo*

**Principal Investigator:** Iliriana Halili, AUK Student  
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1. **Purpose of the Study:** The purpose of this research study is to explore the employability of youth in Kosovo. How well the youth of Kosovo is prepared to enter the labor market and stay there on a long-term basis? How is the education system fostering or hampering the employability of youth in Kosovo?
2. **Procedures to be followed:** You will be asked to answer 5-6 questions during this interview.
3. **Duration:** It will take about 15-20 minutes to complete the interview.
4. **Statement of Confidentiality:** Your participation in this research is confidential. The data will be used only for the research purpose mentioned above.
5. **Voluntary Participation:** Your decision to be in this research is voluntary. You can stop at any time. You do not have to answer any questions you do not want to answer.

You must be 18 years of age or older to take part in this research study. If you agree to take part in this research study and the information outlined above, please sign your name and indicate the date below.

You will be given a copy of this form for your records.

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Participant Signature

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Date

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Person Obtaining Consent

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Date